

Township of Massey

St. Clair County, Michigan

Audited Financial Report
March 31, 2005

Lehn L. King

Certified Public Accountant
Marlette, Michigan

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Mussey	County St. Clair County
Audit Date 8/24/05	Opinion Date 8/24/05	Date Accountant Report Submitted to State: 10/19/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

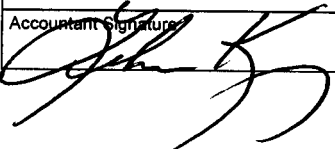
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Lehn L. King, CPA			
Street Address 3531 Main Street		City Marlette	State MI
Accountant Signature 		ZIP 48453	Date 10/19/05

Township of Mussey
Annual Financial Report
For The Fiscal Year Ended March 31, 2005

Table of Contents

	<u>Page Number</u>
I. Independent Audit Report	1
II. Management's Discussion & Analysis (Required Supplementary Information)	MDA 1-2
III. Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets.....	2
Statement of Activities	3
Fund Financial Statements:	
Government Funds	
Balance Sheet	4
Reconciliation of Fund Balances to the Statement of Net Assets.....	5
Statement of Revenue, Expenditures, & Changes in Fund Balance.....	6
Reconciliation of the Statement of Revenue, Expenditures, & Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	7
Fiduciary Funds	
Statement of Net Assets.....	8
Statement of Changes in Net Assets	9
Notes to Financial Statements	10-17
IV. Required Supplemental Information	18
Budgetary Comparison Schedule	
General Fund.....	19
Major Special Revenue Funds	20-22
V. Other Supplemental Information.....	23
Fiduciary Funds	
Combining Statement of Net Assets.....	24
Combining Statement of Changes in Net Assets.....	25
Schedule of Indebtedness	26

LEHN L. KING

CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET
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Phone 989-635-3113
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Members of the Township Board
Mussey Township
St. Clair County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Mussey, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Mussey, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Mussey, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Mussey, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2004.

Lehn King

Lehn L. King
Certified Public Accountant

August 24, 2005

Township of Mussey

Capac, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Township of Mussey's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The Township is in a good financial position with a General Fund Balance of \$340,496.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Township's annual report.

The Township as a Whole

The Township of Mussey's fund balances are as follows:

	<u>March 31,</u> <u>2005</u>	<u>March 31,</u> <u>2004</u>
General Fund	\$ 340,496	\$ 453,589
Fire Department Fund	196,875	189,502
Building Inspection Fund	12,502	17,561
Cemetery Fund	(8,020)	(2,954)
Total for Township	<u>\$ 541,853</u>	<u>\$ 657,698</u>

Township of Mussey

Capac, Michigan

Governmental Activities

The Township of Mussey's Revenues and Expenditures can be summarized as follows:

	<u>General Fund</u>	<u>Fire Department Fund</u>	<u>Building Inspection Fund</u>	<u>Cemetery Fund</u>	<u>Total Governmental Activities</u>
Fund Balance - Beginning of Year	\$ 453,589	\$ 189,502	\$ 17,561	\$ (2,954)	\$ 657,698
Revenue Collected					
Intergovernmental Revenue	136,697	-	-	-	136,697
Property Taxes	122,567	160,808	-	-	283,375
Permits & Fees	5,079	-	48,412	-	53,491
Charges for Services	-	27,025	-	16,431	43,456
Loan Proceeds	-	38,111	-	-	38,111
Transfers In	-	-	-	4,951	4,951
Other	16,253	640	319	41	17,253
Total Revenue Collected	<u>280,596</u>	<u>226,584</u>	<u>48,731</u>	<u>21,423</u>	<u>577,334</u>
Expenditures					
General Government	116,434	-	-	-	116,434
Public Safety	11,510	85,796	53,790	-	151,096
Public Works	53,342	-	-	-	53,342
Cemetery	-	-	-	26,489	26,489
Recreation & Culture	26,900	-	-	-	26,900
Capital Outlay	152,483	45,877	-	-	198,360
Debt Service	30,000	87,538	-	-	117,538
Transfers Out	3,020	-	-	-	3,020
Total Expenditures	<u>393,689</u>	<u>219,211</u>	<u>53,790</u>	<u>26,489</u>	<u>693,179</u>
Fund Balance - End of Year	<u>\$ 340,496</u>	<u>\$ 196,875</u>	<u>\$ 12,502</u>	<u>\$ (8,020)</u>	<u>\$ 541,853</u>

Contacting the Township

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Township office at 135 N. Main Street, Capac, Michigan or by telephone at (810) 395-4915.

Michael Lauwers
Township of Mussey Supervisor

Township of Mussey

Statement of Net Assets (Deficit)

March 31, 2005

	<u>Primary Government Governmental Activities</u>
<u>Assets</u>	
Cash & Cash Equivalents	\$ 266,705.83
Property Taxes Receivable	25,086.09
Other Accounts Receivable	32,413.00
Due From Other Funds	302,296.86
Capital Assets (Net of Accumulated Depreciation)	<u>595,133.11</u>
Total Assets	1,221,634.89
<u>Liabilities</u>	
Accounts Payable	\$ 51,688.55
Due To Other Funds	32,958.89
Current Portion of Long-Term Debt	101,835.00
Noncurrent Liabilities:	
Long-Term Debt	<u>283,306.97</u>
<u>Total Liabilities</u>	<u>469,789.41</u>
Net Assets (Deficit)	
Invested in Capital Assets - Net of Related Debt	209,991.14
Unrestricted	<u>541,854.34</u>
<u>Total Net Assets (Deficit)</u>	<u>\$ 751,845.48</u>

The notes are an integral part of the statements.

Township of Mussey
Statement of Activities
For the Year Ended March 31, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue & Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants & Contributions		
					Capital Grants & Contributions
Primary Government:					
Governmental Activities:					
General Government	\$ 144,624.54	\$ 16,430.80	\$ -	\$ (128,193.74)	
Public Safety	173,387.04	80,516.50	-	(92,870.54)	
Public Works	53,341.82	-	-	(53,341.82)	
Recreation & Culture	26,900.00	-	-	(26,900.00)	
Interest on Long-Term Debt	19,836.47	-	-	(19,836.47)	
Total Governmental Activities	\$ 418,089.87	\$ 96,947.30	\$ -	(321,142.57)	
General Revenues:					
Property Taxes				\$ 283,374.81	
Intergovernmental Revenue				136,696.55	
Interest				6,996.50	
Other Revenues				10,255.79	
Transfers				1,931.28	
Total General Revenues, Special Items & Transfers				439,254.93	
Change in Net Assets				118,112.36	
Net Assets (Deficit) - Beginning of Year				633,733.12	
Net Assets (Deficit) - End of Year				\$ 751,845.48	

The notes are an integral part of the statements.

Township of Mussey
Governmental Funds
Balance Sheet
March 31, 2005

<u>Assets</u>	<u>General Fund</u>	<u>Fire Department Fund</u>	<u>Building Inspection Fund</u>	<u>Cemetery Fund</u>	<u>Total Governmental Funds</u>
Cash & Certificates of Deposit	\$ 164,364.46	\$ 34,637.35	\$ 44,302.49	\$ 23,401.53	\$ 266,705.83
Property Taxes Receivable	10,786.42	14,299.67	-	-	25,086.09
Other Accounts Receivable	23,513.00	8,900.00	-	-	32,413.00
Due From Other Funds	154,801.64	147,495.22	-	-	302,296.86
<u>Total Assets</u>	<u>\$ 353,465.52</u>	<u>\$ 205,332.24</u>	<u>\$ 44,302.49</u>	<u>\$ 23,401.53</u>	<u>\$ 626,501.78</u>
<u>Liabilities & Fund Equity</u>					
<u>Liabilities</u>					
Accrued Payroll Taxes	\$ 5,358.98	\$ 1,035.03	\$ 2,254.48	\$ -	\$ 8,648.49
Accounts Payable	7,610.23	5,883.83	29,546.00	-	43,040.06
Due To Other Funds	0.00	1,537.70	-	31,421.19	32,958.89
<u>Total Liabilities</u>	<u>12,969.21</u>	<u>8,456.56</u>	<u>31,800.48</u>	<u>31,421.19</u>	<u>84,647.44</u>
<u>Fund Equity</u>					
Fund Balances					
- Unreserved & Undesignated	340,496.31	196,875.68	12,502.01	(8,019.66)	541,854.34
<u>Total Fund Balances</u>	<u>340,496.31</u>	<u>196,875.68</u>	<u>12,502.01</u>	<u>(8,019.66)</u>	<u>541,854.34</u>
<u>Total Liabilities & Fund Equity</u>	<u>\$ 353,465.52</u>	<u>\$ 205,332.24</u>	<u>\$ 44,302.49</u>	<u>\$ 23,401.53</u>	<u>\$ 626,501.78</u>

The notes are an integral part of the statements.

Township of Mussey
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended March 31, 2005

Total Fund Balances for Governmental Funds	\$ 541,854.34
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Amounts reported for Governmental Activities in the Statement of
Net Assets (Deficit) are different because:

Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the Funds	595,133.11
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Long-Term Bonds Payable are not due and payable in the current period and are not reported in the Funds	<u>(385,141.97)</u>
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Net Assets of Governmental Activities	<u><u>\$ 751,845.48</u></u>
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The notes are an integral part of the statements.

Township of Mussey

Governmental Funds
Statement of Revenues, Expenditures, And Changes
in Fund Balances
For The Year Ended March 31, 2005

Revenues	General Fund	Fire Department Fund	Building Inspection Fund	Cemetery Fund	Total Governmental Funds
Property Taxes	\$ 122,567.02	\$ 160,807.79	\$ -	\$ -	\$ 283,374.81
Intergovernmental Revenue	136,696.55	-	-	-	136,696.55
Charges for Services	-	27,025.00	-	16,430.80	43,455.80
Permits & Fees	5,079.50	-	48,412.00	-	53,491.50
Interest Earnings	6,111.75	639.63	204.43	40.69	6,996.50
Loan Proceeds	-	38,111.00	-	-	38,111.00
Other Revenues	10,140.91	-	114.88	-	10,255.79
Total Revenues	280,595.73	226,583.42	48,731.31	16,471.49	572,381.95
Expenditures					
General Government	116,433.71	-	-	26,488.83	142,922.54
Public Safety	11,510.12	85,795.06	53,789.86	-	151,095.04
Publics Works	53,341.82	-	-	-	53,341.82
Recreation & Culture	26,900.00	-	-	-	26,900.00
Capital Outlay	152,483.11	45,877.00	-	-	198,360.11
Debt Service - Principal	25,176.00	72,526.03	-	-	97,702.03
Debt Service - Interest	4,824.00	15,012.47	-	-	19,836.47
Total Expenditures	390,668.76	219,210.56	53,789.86	26,488.83	690,158.01
Excess of Revenues Over (Under) Expenditures	(110,073.03)	7,372.86	(5,058.55)	(10,017.34)	(117,776.06)
Other Financing Sources (Uses)					
Operating Transfers In (Out)	(3,020.10)	-	-	4,951.38	1,931.28
Net Change in Fund Balances	(113,093.13)	7,372.86	(5,058.55)	(5,065.96)	(115,844.78)
Fund Balances - Beginning of Year	453,589.44	189,502.82	17,560.56	(2,953.70)	657,699.12
Fund Balances - End of Year	\$ 340,496.31	\$ 196,875.68	\$ 12,502.01	\$ (8,019.66)	\$ 541,854.34

The notes are an integral part of the statements.

Township of Mussey
Governmental Funds
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended March 31, 2005

Net Change in Fund Balances - Total Governmental Funds \$ (115,844.78)

Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures;
in the Statement of Activities, these costs are capitalized and
allocated over their estimated useful lives as Depreciation 198,360.11

Repayment of Bond Principal is an Expenditure in the Governmental
Funds, but not in the Statement of Activities (where it
reduces Long-Term Debt) 97,702.03

Loan Proceeds are recognized as revenue in the Governmental Funds,
but not in the Statement of Activities (38,111.00)

Depreciation is an Expenditure for the Statement of
Activities, but is not reported in the Governmental Funds (23,994.00)

Net Assets of Governmental Activities \$ 118,112.36

The notes are an integral part of the statements.

Township of Mussey
Statement of Net Assets (Deficit)
Fiduciary Funds
March 31, 2005

<u>Assets</u>	<u>Pension & Other Trust Funds</u>	<u>Agency Fund</u>
Cash & Certificate of Deposit	\$ 100,000.00	\$ 335,027.45
Investment - 457 Def. Comp. Plan Account at F.M.V.	205,225.25	-
Due From Other Funds	8,421.19	-
<u>Total Assets</u>	313,646.44	<u>\$ 335,027.45</u>
<u>Liabilities</u>		
Due To Other Funds	-	\$ 278,996.86
Due To Others	-	38,133.70
Due To Other Governmental Agencies	-	17,896.89
<u>Total Liabilities</u>	-	<u>\$ 335,027.45</u>
<u>Net Assets</u>		
Held in Trust for Pension	205,225.25	
Held in Trust for Cemetery Perpetual Care	108,421.19	
Unreserved - Undesignated	-	
<u>Total Net Assets</u>	<u>\$ 313,646.44</u>	

The notes are an integral part of the statements.

Township of Mussey
Statement of Changes in Net Assets
Fiduciary Funds
March 31, 2005

	Pension & Other Trust Funds
<u>Additions</u>	
Interest Income - Perpetual Care	\$ 1,931.28
Sale of Lots - Perpetual Care	700.00
Contributions From Employer & Employees	12,285.01
Interest, Dividends, & Net Adjustment to F.M.V.	6,940.12
	<hr/>
<u>Total Additions</u>	21,856.41
	<hr/>
<u>Deductions</u>	
Administrative Expense	-
Distributions	-
Contribution To (From) Other Funds	1,931.28
	<hr/>
<u>Total Deductions</u>	1,931.28
	<hr/>
<u>Net Increase</u>	19,925.13
	<hr/>
<u>Net Assets - Beginning of Year</u>	293,721.31
	<hr/>
<u>Net Assets - End of Year</u>	\$ 313,646.44
	<hr/> <hr/>

The notes are an integral part of the statements.

Township of Mussey
Notes to the Financial Statements
For The Year Ended March 31, 2005

The accounting methods and procedures adopted by the Township of Mussey, St. Clair County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Townships Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Township of Mussey was incorporated under the laws of the State of Michigan and operates as a General Law Township, with a Township Board form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township of Mussey (the primary government) and its component units. The component units discussed below are included in the Township reporting entity because of the significance of their operational or financial relationships with the Township.

Component Units - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Township (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Building Inspection Fund - This fund is set up for the monitoring of Township construction. It is primarily funded through the collection of permits for the various types of construction.

Fire Department Fund - This fund accounts for the operation of the fire department and provides for the accumulation of funds for equipment replacement. Funding is provided primarily through fire run charges and contracts with Lynn and Emmett Townships.

Cemetery Fund - The Cemetery Fund provides for the administration of the grave openings, burials, and general maintenance of the local cemetery. Funding is provided primarily through grave openings and lot sales.

Township of Mussey
Notes to the Financial Statements
For The Year Ended March 31, 2005

Additionally, the Township reports the following fund types:

Current Tax Collection Fund - The Current Tax Collection Fund accounts for the collection and disbursement of local property taxes.

Cemetery Perpetual Care Fund - The purpose of this fund is to account for money which is set aside for the future maintenance expenses of the Township cemeteries.

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The Township does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Township's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the Township to hold such investments until they mature.

Due to and Due From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Vacation, Sick Leave, & Other Compensated Absences - The Township does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Township of Mussey
Notes to the Financial Statements
For The Year Ended March 31, 2005

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings & Building Improvements	20 to 50 years
Machinery & Equipment	3 to 25 years

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Changes

GASB Statement No. 34 - Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the Township as well as assets previously reported in the General Fixed Assets Account Group. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

Township of Mussey
Notes to the Financial Statements
For The Year Ended March 31, 2005

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Township actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Township Council as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the Special Revenue Funds are presented in the required supplemental information.

During the year ended March 31, 2005, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Fund			
Township Board	\$ 1,800	\$ 1,875	\$ 75
Treasurer	12,446	12,867	421
Board of Review	1,500	1,660	160
General Administration	16,000	19,698	3,698
Professional Services	5,500	6,703	1,203
Pension & Payroll Taxes	4,200	4,630	430
Memberships & Dues	2,600	3,006	406
Recreation & Culture	-	26,900	26,900
Fire Department Fund			
Communications	7,000	9,653	2,653
Capital Outlay	40,000	45,877	5,877
Debt Service - Principal	68,000	72,526	4,526
Debt Service - Interest	12,000	15,012	3,012
Building Inspection Fund			
Inspectors Fees	36,500	51,528	15,028
Deferred Comp / Payroll Taxes	1,500	1,645	145
Cemetery Fund			
Supplies	3,000	4,816	1,816

Township of Mussey
Notes to the Financial Statements
For The Year Ended March 31, 2005

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary - Trust & Agency Funds</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	\$ 266,706	\$ 435,027	\$ 701,733

The Township's deposits are in accordance with statutory authority. As of March 31, 2005, the balance sheet carrying amount of cash deposits was \$701,733. The bank balance as of March 31, 2005, was \$701,733, of which \$278,271 was covered by FDIC insurance.

All cash deposits and investments of the Township are held by the Township in the Township's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

Investment Type	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Risk Categorized	-	-	-	-	-
Operating Funds					
US Treasury Bonds	-	-	-	-	-
Investment in Deferred					
Compensation Plans	-	-	-	\$ 205,225	\$ 205,225
Total Risk-Categorized					
Investments	-	-	-	\$ 205,225	\$ 205,225

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the Township or its agent in the Township's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

Township of Mussey
Notes to the Financial Statements
For The Year Ended March 31, 2005

4. Property Taxes

The Township is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and must be paid by the following February 14.

Property taxes are recognized in compliance with NCGAI-3 which states that such revenue is recorded when it becomes measurable and available.

The Township originally levied the following taxes:

General Government Services	<u>1.0000</u> mills
Fire	<u>1.0000</u> mills
Fire – Truck	<u>0.5000</u> mills

5. Capital Assets

Capital Assets activity of the Township's governmental activities (and business-type) was as follows:

	Balance April 1, 2004	Additions	Disposals & Adjustments	Balance March 31, 2005
Governmental Activities:				
Capital Assets Being Depreciated:				
Buildings & Improvements	\$ -	\$ 152,483	\$ -	\$ 152,483
Machinery & Equipment	500,897	45,409	-	546,306
Total Capital Assets being Depreciated	500,897	197,892	-	698,789
Accumulated Depreciation:				
Buildings & Improvements	-	1,702	-	1,702
Machinery & Equipment	80,130	22,292	-	102,422
Total Accumulated Depreciation	80,130	23,994	-	104,124
Net Capital Assets Being Depreciated	<u>\$ 420,767</u>	<u>\$ 173,898</u>	<u>\$ -</u>	<u>\$ 594,665</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 1,702
Public Safety	22,292
Total Governmental Activities	<u>\$ 23,994</u>

6. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

Cemetery Fund \$8,019

Township of Mussey
Notes to the Financial Statements
For The Year Ended March 31, 2005

7. Long -Term Debt

The following is a summary of the debt outstanding of the Township as of March 31, 2005:

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
General Obligation Bonds & Contracts						
Installment Loan - Fire Truck						
Amount of Issue - \$89,658		\$14,186 -				
Maturing through July 30, 2006	5.53%	\$14,939	\$ 42,571	\$ (13,446)	\$ 29,125	\$ 14,186
Installment Loan - Fire Hall						
Amount of Issue - \$550,000		\$48,851 -				
Maturing through July 21, 2007	4.75%	\$51,172	\$ 195,273	\$ (46,726)	\$ 148,547	\$ 48,851
Installment Loan - 2004 Fire Truck						
Amount of Issue - \$245,075		\$38,798 -				
Maturing through March 12, 2010	3.39%	\$44,267	\$ 206,889	\$ 585	\$ 207,474	\$ 38,798
Total Governmental Activities			<u>\$ 444,733</u>	<u>\$ (59,587)</u>	<u>\$ 385,146</u>	<u>\$ 101,835</u>

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

<u>Years Ending March 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 101,835	\$ 15,702	\$ 117,537
2007	106,224	11,315	117,539
2008	89,997	6,666	96,663
2009	42,897	2,955	45,852
2010	44,268	1,567	45,835
Total	<u>\$ 385,221</u>	<u>\$ 38,205</u>	<u>\$ 423,426</u>

8. Interfund Receivables, Payables, & Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Due From Other Funds</u>		<u>Due To Other Funds</u>
General Fund	\$ 3,142	Tax Collection Fund	\$ 3,142
General Fund	1,538	Fire Department Fund	1,538
Fire Department Fund	147,495	Tax Collection Fund	147,495
Cemetery Perpetual Care Fund	8,421	Cemetery Fund	8,421
General Fund	23,000	Cemetery Fund	23,000
Total	<u>\$ 183,596</u>		<u>\$ 183,596</u>

Township of Mussey
Notes to the Financial Statements
For The Year Ended March 31, 2005

8. Interfund Receivables, Payables, & Transfers - Continued

Interfund Transfers reported in the Fund Statements are as follows:

	<u>Operating Transfers In</u>		<u>Operating Transfers Out</u>
Cemetery Fund	\$ 3,020	General Fund	\$ 3,020
Cemetery Fund	1,931	Cemetery Perpetual Care Fund	1,931

9. Post Employment Benefits

The Township does not provide any post employment benefits.

10. Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency. The amount contributed to the deferred compensation plan by the Township for the fiscal year ended March 31, 2005, was \$4,495.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries.

It is the opinion of the Township that the Township has no liability for losses under the plan but does have the duty of care that would be required of an ordinary prudent investor.

11. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

Required Supplemental Information

Township of Mussey
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property Taxes	\$ 114,000.00	\$ 114,000.00	\$ 122,567.02	\$ 8,567.02
State Shared Revenues	130,000.00	130,000.00	129,597.00	(403.00)
Lot Split Fees	-	-	-	-
Licenses, Permits & Fees	1,200.00	1,200.00	5,079.50	3,879.50
Interest Earnings	-	-	6,111.75	6,111.75
Parks & Recreation Millage Funds	-	-	7,099.55	7,099.55
Miscellaneous	-	-	10,140.91	10,140.91
Total Revenues	\$ 245,200.00	\$ 245,200.00	\$ 280,595.73	\$ 35,395.73
Expenditures				
General Government				
Township Board	\$ 1,800.00	\$ 1,800.00	\$ 1,875.00	\$ (75.00)
Clerk	15,435.00	15,435.00	15,237.01	197.99
Treasurer	12,446.00	12,446.00	12,867.11	(421.11)
Supervisor	10,350.00	10,350.00	10,024.96	325.04
Assessor	15,700.00	15,700.00	13,642.96	2,057.04
Board of Review	1,500.00	1,500.00	1,660.00	(160.00)
Elections	3,500.00	3,500.00	3,288.76	211.24
General Administration	16,000.00	16,000.00	19,698.78	(3,698.78)
Professional Services	5,500.00	5,500.00	6,703.75	(1,203.75)
Pension & Payroll Taxes	4,200.00	4,200.00	4,630.55	(430.55)
Insurance	15,000.00	15,000.00	12,706.00	2,294.00
Tax Collection Expense	5,500.00	5,500.00	5,401.85	98.15
Memberships & Dues	2,600.00	2,600.00	3,006.73	(406.73)
Township Hall Expense	6,300.00	6,300.00	5,690.25	609.75
Total General Government	115,831.00	115,831.00	116,433.71	(602.71)
Public Safety				
Planning	17,000.00	17,000.00	11,510.12	5,489.88
Liquor License Control	1,200.00	1,200.00	-	1,200.00
Total Public Safety	18,200.00	18,200.00	11,510.12	6,689.88
Public Works				
Refuse Removal	8,000.00	8,000.00	5,661.00	2,339.00
Roads & Ditches	65,320.00	65,320.00	47,680.82	17,639.18
Total Public Works	73,320.00	73,320.00	53,341.82	19,978.18
Recreation & Culture	-	-	26,900.00	(26,900.00)
Capital Outlay	-	-	152,483.11	(152,483.11)
Debt Service:				
Principal	25,176.00	25,176.00	25,176.00	-
Interest	4,824.00	4,824.00	4,824.00	-
Total Expenditures	237,351.00	237,351.00	390,668.76	(153,317.76)
Excess of Revenues Over (Under) Expenditures	7,849.00	7,849.00	(110,073.03)	(117,922.03)
Other Financing Sources (Uses)				
Net Operating Transfers In (Out)	(15,000.00)	(15,000.00)	(3,020.10)	11,979.90
Excess of Rev. & Operating Transfers In Over Expenditures & Operating Transfers Out	(7,151.00)	(7,151.00)	(113,093.13)	(105,942.13)
Fund Balance - Beginning of Year	-	-	453,589.44	453,589.44
Fund Balance - End of Year	\$ (7,151.00)	\$ (7,151.00)	\$ 340,496.31	\$ 347,647.31

Township of Mussey
Required Supplemental Information
Budgetary Comparison Schedule
Fire Department Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Property Taxes	\$ 156,000.00	\$ 156,000.00	\$ 160,807.79	\$ 4,807.79
Charges for Services	19,200.00	19,200.00	27,025.00	7,825.00
Interest Earnings	-	-	639.63	639.63
Sale of Fixed Assets	-	-	-	-
Loan Proceeds	-	-	38,111.00	38,111.00
Contributions / Miscellaneous	-	-	-	-
<u>Total Revenues</u>	<u>\$ 175,200.00</u>	<u>\$ 175,200.00</u>	<u>\$ 226,583.42</u>	<u>\$ 51,383.42</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Fire Salaries & Wages	\$ 29,000.00	\$ 29,000.00	\$ 26,734.00	\$ 2,266.00
Operating Supplies	8,800.00	8,800.00	5,868.12	2,931.88
Education	5,900.00	4,900.00	2,306.45	2,593.55
Communications	6,000.00	7,000.00	9,653.02	(2,653.02)
Insurance	17,000.00	17,000.00	13,955.00	3,045.00
Utilities	6,500.00	6,500.00	5,318.37	1,181.63
Repairs & Maintenance	27,000.00	27,000.00	21,960.10	5,039.90
<u>Total Public Safety</u>	<u>100,200.00</u>	<u>100,200.00</u>	<u>85,795.06</u>	<u>14,404.94</u>
<u>Capital Outlay</u>	<u>40,000.00</u>	<u>40,000.00</u>	<u>45,877.00</u>	<u>(5,877.00)</u>
<u>Debt Service:</u> Principal	68,000.00	68,000.00	72,526.03	(4,526.03)
Interest	12,000.00	12,000.00	15,012.47	(3,012.47)
<u>Total Debt Service</u>	<u>80,000.00</u>	<u>80,000.00</u>	<u>87,538.50</u>	<u>(7,538.50)</u>
<u>Total Expenditures</u>	<u>220,200.00</u>	<u>220,200.00</u>	<u>219,210.56</u>	<u>989.44</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(45,000.00)</u>	<u>(45,000.00)</u>	<u>7,372.86</u>	<u>52,372.86</u>
<u>Other Financing Sources (Uses)</u>				
Net Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Operating Transfers In Over Expenditures & Operating Transfers Out</u>	<u>(45,000.00)</u>	<u>(45,000.00)</u>	<u>7,372.86</u>	<u>52,372.86</u>
<u>Fund Balance - Beginning of Year</u>	<u>45,000.00</u>	<u>45,000.00</u>	<u>189,502.82</u>	<u>144,502.82</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,875.68</u>	<u>\$ 196,875.68</u>

Township of Mussey
Required Supplemental Information
Budgetary Comparison Schedule
Building Inspection Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Permit Fees	\$ 30,000.00	\$ 30,000.00	\$ 48,412.00	\$ 18,412.00
Interest Earnings	75.00	75.00	204.43	129.43
Miscellaneous	-	-	114.88	114.88
<u>Total Revenues</u>	<u>30,075.00</u>	<u>30,075.00</u>	<u>48,731.31</u>	<u>18,656.31</u>
<u>Expenditures</u>				
Inspectors Fees	\$ 36,500.00	\$ 36,500.00	\$ 51,527.52	\$ (15,027.52)
Deferred Comp / Payroll Taxes	1,500.00	1,500.00	1,644.90	(144.90)
Supplies	1,500.00	1,500.00	617.44	882.56
<u>Total Expenditures</u>	<u>39,500.00</u>	<u>39,500.00</u>	<u>53,789.86</u>	<u>(14,289.86)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(9,425.00)</u>	<u>(9,425.00)</u>	<u>(5,058.55)</u>	<u>4,366.45</u>
<u>Other Financing Sources (Uses)</u>				
Net Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Operating Transfers In Over Expenditures & Operating Transfers Out</u>	<u>(9,425.00)</u>	<u>(9,425.00)</u>	<u>(5,058.55)</u>	<u>4,366.45</u>
<u>Fund Balance - Beginning of Year</u>	<u>34,000.00</u>	<u>34,000.00</u>	<u>17,560.56</u>	<u>(16,439.44)</u>
<u>Fund Balance - End of Year</u>	<u>\$ 24,575.00</u>	<u>\$ 24,575.00</u>	<u>\$ 12,502.01</u>	<u>\$ (12,072.99)</u>

Township of Mussey
Required Supplemental Information
Budgetary Comparison Schedule
Cemetery Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Sale of Lots	\$ 15,000.00	\$ 15,000.00	\$ 16,430.80	\$ 1,430.80
Interest Earnings	1,500.00	1,500.00	40.69	(1,459.31)
<u>Total Revenues</u>	<u>\$ 16,500.00</u>	<u>\$ 16,500.00</u>	<u>\$ 16,471.49</u>	<u>\$ (28.51)</u>
<u>Expenditures</u>				
Salary & Wages	\$ 16,600.00	\$ 16,600.00	\$ 16,039.96	\$ 560.04
Contract Services	7,500.00	7,500.00	5,164.00	2,336.00
Supplies	3,000.00	3,000.00	4,816.14	(1,816.14)
Miscellaneous	1,500.00	1,500.00	468.73	1,031.27
<u>Total Expenditures</u>	<u>28,600.00</u>	<u>28,600.00</u>	<u>26,488.83</u>	<u>2,111.17</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(12,100.00)</u>	<u>(12,100.00)</u>	<u>(10,017.34)</u>	<u>2,082.66</u>
<u>Other Financing Sources (Uses)</u>				
Net Operating Transfers In (Out)	15,000.00	15,000.00	4,951.38	(10,048.62)
<u>Excess of Revenues & Operating Transfers In Over Expenditures & Operating Transfers Out</u>	<u>2,900.00</u>	<u>2,900.00</u>	<u>(5,065.96)</u>	<u>(7,965.96)</u>
<u>Fund Balance - Beginning of Year</u>	<u>5,000.00</u>	<u>5,000.00</u>	<u>(2,953.70)</u>	<u>(7,953.70)</u>
<u>Fund Balance - End of Year</u>	<u>\$ 7,900.00</u>	<u>\$ 7,900.00</u>	<u>\$ (8,019.66)</u>	<u>\$ (15,919.66)</u>

Other Supplemental Information

Township of Mussey
Other Supplemental Information
Combining Statement of Net Assets
Fiduciary Funds
March 31, 2005

	Pension & Other Trust Funds				Agency Fund Tax Collection Fund
	Cemetery Perpetual Care Expendable Trust	Nonexpendable Trust	Retirement Fund	Totals	
<u>Assets</u>					
Cash & Certificate of Deposit	\$ -	\$ 100,000.00	\$ -	\$ 100,000.00	\$ 335,027.45
Investment - 457 Def. Comp. Plan Account	-	-	205,225.25	205,225.25	-
Due From Other Funds	-	8,421.19	-	8,421.19	-
<u>Total Assets</u>	-	108,421.19	205,225.25	313,646.44	335,027.45
<u>Liabilities & Fund Balance</u>					
<u>Liabilities</u>					
Due To Other Funds	-	-	-	-	278,996.86
Due To Others	-	-	-	-	38,133.70
Due To Other Governmental Agencies	-	-	-	-	17,896.89
<u>Total Liabilities</u>	-	-	-	-	\$ 335,027.45
<u>Net Assets</u>					
Held in Trust for Pension	-	-	205,225.25	205,225.25	
Held in Trust for Cemetery Perpetual Care	-	108,421.19	-	108,421.19	
Unreserved - Undesignated	-	-	-	-	
<u>Total Liabilities & Net Assets</u>	-	\$ 108,421.19	\$ 205,225.25	\$ 313,646.44	

Township of Mussey
Other Supplemental Information
Combining Statement of Changes in Net Assets
Fiduciary Funds
March 31, 2005

	Pension & Other Trust Funds			
	Cemetery Perpetual Care		Retirement Fund	Totals
	Expendable Trust	Nonexpendable Trust		
Additions				
Interest Income - Perpetual Care	\$ 1,931.28	\$ -	\$ -	\$ 1,931.28
Sale of Lots - Perpetual Care	-	700.00	-	700.00
Contributions From Employer & Employees	-	-	12,285.01	12,285.01
Interest, Dividends, & Net Adjustment to F.M.V.	-	-	6,940.12	6,940.12
<u>Total Additions</u>	<u>1,931.28</u>	<u>700.00</u>	<u>19,225.13</u>	<u>21,856.41</u>
Deductions				
Administrative Expense	-	-	-	-
Distributions	-	-	-	-
Contribution To (From) Other Funds	1,931.28	-	-	1,931.28
<u>Total Deductions</u>	<u>1,931.28</u>	<u>-</u>	<u>-</u>	<u>1,931.28</u>
Net Increase	-	700.00	19,225.13	19,925.13
Net Assets - Beginning of Year	-	107,721.19	186,000.12	293,721.31
Net Assets - End of Year	-	\$ 108,421.19	\$ 205,225.25	\$ 313,646.44

Township of Mussey
Other Supplemental Information
Schedule of Indebtedness
March 31, 2005

Capac State Bank

Note Payable for Purchase of Fire Truck
Annual Payment Due July 30

Dated: July 30, 1999
Original Issue: \$89,658

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
		2005	2004	
5.53%	7/30/2004	\$ -	\$ 13,446	\$ -
5.53%	7/30/2005	14,186	14,186	1,611
5.53%	7/30/2006	14,939	14,939	858
<u>Total Notes Payable</u>		<u>\$ 29,125</u>	<u>\$ 42,571</u>	<u>\$ 2,469</u>

Capac State Bank

Note Payable for Construction of Fire Hall
Annual Payment Due July 21

Dated: July 9, 2003
Original Issue: \$550,000

Interest Rate	Contract Due For The Year Ending	Principal Outstanding March 31,		Remaining Annual Interest Payable
		2005	2004	
4.75%	7/21/2004	\$ -	\$ 46,726	\$ -
4.75%	7/21/2005	48,851	48,851	7,056
4.75%	7/21/2006	51,172	51,172	4,736
4.75%	7/21/2007	48,524	48,524	2,305
<u>Total Note Payable</u>		<u>\$ 148,547</u>	<u>\$ 195,273</u>	<u>\$ 14,097</u>

Capac State Bank

Note Payable for Purchase of 2004 Fire Truck
Annual Payment Due March 12

Dated: March 12, 2004
Original Issue: \$245,075

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
		2005	2004	
3.39%	3/12/2005	\$ -	\$ 37,526	\$ -
3.39%	3/12/2006	38,798	38,798	7,035
3.39%	3/12/2007	40,113	40,113	5,721
3.39%	3/12/2008	41,473	41,473	4,361
3.39%	3/12/2009	42,897	42,897	2,955
3.39%	3/12/2010	44,193	44,193	1,567
<u>Total Notes Payable</u>		<u>\$ 207,474</u>	<u>\$ 245,000</u>	<u>\$ 21,639</u>
<u>Total Notes Payable & Installment Contracts</u>		<u>\$ 385,146</u>	<u>\$ 482,844</u>	<u>\$ 38,205</u>

LEHN L. KING

CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

August 24, 2005

Members of the Township Board
Mussey Township
St. Clair County, Michigan

Board Members:

In accordance with your request, I have made an examination of the financial statements of Mussey Township for the fiscal year ended March 31, 2005. During the course of my examination, the following material items came to my attention:

- 1) In the review of the minutes,
 - a. When making a motion to approve the minutes, the motion should specify the date of the minutes approved. Also, when making a motion to pay the bills the motion should identify the actual bills being approved. This could be done by inserting into the minutes the list of bills that is being approved.
 - b. The minutes need to be signed by the clerk at the time they are approved at the next meeting.
 - c. Per P.A. 621 of 1968, the board does not have authorization to spend monies until the budget is officially enacted by the board. This must be done prior to April 1. This budget should be included with the minutes of the Township. The budget must be amended prior to the expenditure exceeding the budgeted item.
- 2) The Treasurer is to maintain a running record of all cash accounts. The Treasurer is to reconcile these cash accounts to the bank statements on a monthly basis. Then, each month the Clerk and Treasurer are to compare the cash balances to see that they agree. This division of duty is to strengthen internal control and safeguard the assets of the township.
 - a. It is my opinion that the Tax Account should be zeroed out as of the end of the fiscal year. The Tax Account is a Trust and Agency Account and should distribute the funds to the appropriate Agency or Government Fund within a reasonable amount of time. The tax collection bank accounts should be reconciled on a monthly basis. It is important to reconcile the bank statements with the Quickbooks Accounting Program. This Quickbooks Program in turn should balance with the entries in which the money is due.
- 3) Currently there is a Due to Cemetery Perpetual Care Fund from the Cemetery Fund of \$8,421.18. In y opinion, the board should transfer the money to the Cemetery Perpetual Care Fund or seek legal council as to the procedures of leaving the funds in the Cemetery Fund.
- 4) There were instances in which funds were received by the Township but it was not deposit into the bank on a timely basis. It is important to deposit receipted funds to strengthen internal control in the safeguarding of the Township assets.
- 5) Payroll taxes, and deferred compensation money was paid late during the past year. It would be to the Township's best interest to keep current on these items.

I thank the Township officials for the cooperation I received in the completion of this examination. Should you have any questions in connection with the above, please contact me at your convenience.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant